



STATE OF WEST VIRGINIA  
OFFICE OF THE ATTORNEY GENERAL  
DARRELL V. MCGRAW, JR.  
CONSUMER PROTECTION DIVISION  
1-800-368-8808 or 304-558-8986

# Press Release

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## FOR IMMEDIATE RELEASE

**May 9, 2007**

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### **Attorney General McGraw Reaches Agreement With WV's Last Payday Lender, First American Cash Advance**

Attorney General Darrell McGraw has reached an Agreement with Valued Services of West Virginia, LLC, d/b/a First American Cash Advance ("FACA") that resolved his investigation of the payday lending practices of FACA and Community State Bank of South Dakota (the "Bank"). FACA previously marketed and serviced payday loans issued at 11 former physical locations in West Virginia.

Under the terms of the Agreement, approximately \$616,000 in defaulted loans allegedly owed by nearly 2,700 West Virginia consumers will be forgiven. FACA agreed to pay \$200,500 to the State of West Virginia for consumer protection purposes, and approximately \$22,000 for the State to distribute to approximately 400 West Virginia consumers who paid interest charges on payday loans after May 31, 2006.

"Payday loans" are short-term loans or cash advances, typically for 14 days, that are secured by a post-dated check or by an agreement authorizing an electronic debit for the full loan amount, plus fees, from the consumer's account.

The Bank is a South Dakota state-chartered bank regulated by the Federal Deposit Insurance Corporation ("FDIC") and the South Dakota Division of Banking. Federal law allowed the Bank to charge interest rates that were permissible in the state where it was headquartered, South Dakota, even though these rates exceeded the maximum rates permissible in West Virginia.

In March 1, 2005 the FDIC issued a Payday Lending Programs Revised Examination Guidance that stated in part:

The FDIC initially issued guidance on payday lending in July 2003 because payday lending is a high-risk activity that presents significant safety and soundness and consumer protection concerns. The FDIC's concerns about payday lending have been heightened as it has observed payday lending conducted in a manner that is inconsistent with prudent lending practices.

In 2006 the FDIC urged its supervised institutions to exit the payday lending industry and, as a result, the Bank decided it would no longer issue loans through FACA at its West Virginia locations. This decision resulted in the closure of FACA's West Virginia locations in July of 2006.

Attorney General McGraw stated, "My office has long been concerned about the spiral of debt that often results when already cash-strapped consumers turn to payday lenders for help. Consequently, I am pleased that FACA has decided to discontinue operations in West Virginia. I also commend FACA for acknowledging our concerns about payday lending and for its cooperation with our office."

Any persons wishing to file a complaint about a consumer matter or to alert the Attorney General about unfair or deceptive practices may do so by calling the Consumer Protection Hot Line, 1-800-368-8808, or by obtaining a complaint form from the consumer web page at [www.wvago.gov](http://www.wvago.gov).

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